



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

August 23, 2004

S. 2657 **Federal Employee Dental and Vision Benefits** **Enhancement Act of 2004**

As ordered reported by the Senate Committee on Governmental Affairs on July 21, 2004

S. 2657 would establish a voluntary program under which federal civilian employees and annuitants would be able to purchase supplemental insurance coverage for vision and dental care. The coverage authorized under the bill would be available regardless of whether eligible individuals are enrolled in the Federal Employees Health Benefits (FEHB) program. (Plans currently participating in the FEHB program may offer enrollees coverage for dental or vision services, although such coverage is often limited.)

Although the federal government would not contribute toward enrollees' premiums for the benefit, the Office of Personnel Management (OPM) would incur costs to implement and administer the program. CBO estimates that implementing S. 2657 would increase direct spending by OPM for its administrative expenses by about \$1 million in fiscal year 2005.

According to OPM, its limited administrative role would be similar to the one it has in the federal long-term care insurance program, in which qualifying companies are responsible for costly marketing and enrollment activities. The bill would authorize any administrative expenses incurred by OPM to be paid from the federal government's Employees Health Benefits Fund.

The bill would require companies providing the vision and dental benefit to reimburse OPM for its future administrative expenses after the first contract year begins. Assuming enactment of the bill in the fall of 2004, CBO expects that contracts would be awarded during the last quarter of fiscal year 2005 in anticipation of coverage beginning at the start of calendar year 2006. We assume that companies would begin to reimburse OPM for its administrative costs once contracts are signed.

Based on information provided by OPM, CBO estimates that start-up costs in fiscal year 2005 would amount to about \$1 million. In future years, CBO expects that reimbursements from qualifying companies generally would cover OPM's costs to administer the program, so net federal outlays would be zero after the first year. S. 2657 would not affect federal revenues.

CBO anticipates that establishing a new supplemental dental and vision benefit program for federal civilian employees would increase the administrative workload of federal agencies by a negligible amount. The bill also would require OPM to conduct a feasibility study on options to expand FEHB coverage to certain dependents of federal employees. We estimate that preparing and issuing the report would cost less than \$500,000 in 2005. Federal spending for such activities would be subject to the availability of appropriated funds.

S. 2657 would preempt state and local laws that establish coverage levels or benefit requirements that would otherwise apply to vision or dental benefits offered under the new benefit programs authorized by the bill. Such preemptions are intergovernmental mandates as defined in the Unfunded Mandates Reform Act, but CBO estimates that they would not affect the budgets of state, local, or tribal governments. While the preemptions would limit the application of state laws, they would not preempt state taxing authority and would impose no duties on states that would result in additional spending. The bill does not contain any private-sector mandates.

The CBO staff contact for this estimate is Julia Christensen. This estimate was approved by Robert A. Sunshine, Assistant Director for Budget Analysis.